BUDGET SPEECH
1958-59

Sri C. Subramaniam

Finance Minister

1st March 1958

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GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

Speech of Sri C. Subramaniam, Finance Minister, presenting the Budget for 1958–59 *to the Madras Legislature on the* 1st *March* 1958.

Sir,

Introductory.

I have the honour to present to this House the Budget Estimates for 1958–59 and the Revised Estimates for the current year. The one relieving feature in both these Estimates is the improvement in the revenue position which has wiped out the anticipated heavy deficit for the current year and reduced the gap for the ensuing year. The Award of the Finance Commission is the major factor which has helped us in this respect. We have also had the benefit of fair seasonal conditions.

Seasons.

2. The south-west monsoon set in in time but registered an average fall of only 9·7 inches which was 20 per cent below normal. In the coastal districts of Chingleput and Tanjore the rainfall was adequate. The central districts of Tiruchirapalli, Salem and Coimbatore did not fare well during this monsoon with short-falls ranging from 30 to 50 per cent and this has resulted in the failure of groundnut and millet crops. In the southern districts of Madurai, Ramanathapuram and Tirunelveli also there was

a small deficiency, but this was not appreciable enough to affect crops. The north-east monsoon was generally more satisfactory with an average fall of 16·6 inches, which again was 6 per cent below normal. In Chingleput there was heavy deficiency, particularly in the southern taluks, but the tanks in this district had already received some supply during the south-west monsoon. South Arcot and Tiruchirapalli also fared badly during this monsoon with a short-fall of about 30 per cent. Coimbatore had exceptionally heavy rains, about 40 per cent above normal. The central districts of Salem and North Arcot and the southern districts fared reasonably well, with deficiencies ranging from 5 to 10 per cent.

Crop prospects.

3. Preliminary crop forecasts indicate a slightly larger acreage and better yield under paddy. In the Cauvery delta and other channel-fed areas with an assured supply of water, the yield is reported to be good in spite of insect pests in certain pockets. In North Arcot, South Arcot and Salem districts, the area under paddy was restricted due to water scarcity. Tank-fed lands in Tirunelveli district were affected by drought. The yield was normal in Ramanathapuram and Chingleput districts. The area under millets was considerably less in the central districts of Salem and Coimbatore for want of timely rains, and the yield was below normal. Cotton and groundnut have not fared well in Coimbatore and Salem districts. The potato crop of the Nilgiris was also affected by frost and rains. But taking the State as a whole, agricultural prospects, though not as good as in 1956–57, may be considered generally satisfactory and we may be thankful that the year was free from grave calamities like cyclone, floods and famine.

Agricultural prices.

4. The upward trend in food prices was a continuous source of anxiety in 1957. This was so because the wholesale index of foodgrain prices

which stood at 377 in July 1956, had shot up during the next six months to 494 in January 1957. Following a good harvest the index declined to 470 in March 1957, but thereafter the pressure set in again, though less acute this time, and the index stood at 512 in December 1957. In retrospect, we are now satisfied that the steep rise was not due to any large shortage in supplies, but at that time the situation appeared alarming and precautions had to be taken to ward off a possible break-down. About 800 fair-price shops with an off-take of 4,000 tons per mensem, were kept open and this helped to arrest the rise and ease the position. Prices are stabilising again following another satisfactory harvest, but vigilance cannot be slackened.

Food position.

5. The one obvious lesson from the present food situation is that we should redouble our efforts to step up production. We have achieved a fair measure of success on the various grow-more-food schemes launched in recent years such as the construction of major irrigation works, improvements to the minor irrigation systems, digging of ordinary and filter-point wells to utilize the sub-soil water, installation of electric pump-sets for lift irrigation, increased application of chemical fertilizers, oil-cakes and green manures, and the popularisation of improved seeds and pesticides. The total food production of the present Madras State in 1955–56, the final year of the First Five-Year Plan, was 44 lakhs of tons as against 28 lakhs of tons in 1950–51, the base-year for our present crop statistics. Even after making due allowance for the adverse seasonal factor in 1950–51, the increase of 16 lakhs of tons in production by 1955–56, does reflect a heartening upward trend. The outturn of 46 lakhs of tons in 1956–57, when seasonal conditions were almost similar to those of the previous year, was higher by 2 lakhs of tons and confirms the favourable progression. The food requirements of this State

for a population of 30 millions, at the average rate of 1 lb. per head per day, amount to 48 lakhs of tons and therefore, with a production of 46 lakhs of tons in 1956–57, our deficit can only be marginal. This is confirmed by the fact that we were generally able to maintain supplies last year, even though the export of rice to Kerala during the year of about 2½ lakhs of tons, was only partially off-set by the import of about one lakh of tons from Andhra and overseas. The average yield per acre of paddy cultivation in this State has been increasing steadily from 1,149 lb. of clean rice in 1954–55 to 1,214 lb. in 1955–56 and 1,255 lb. in 1956–57. In fact ours is the best average yield for any State in India and is much higher than the all-India average of about 750 lb. per acre. These achievements may indeed be reassuring, but the fact remains that we still do not produce enough to stabilise prices and to provide an adequate cover for a lean year. We have set a target of 12·79 lakhs of tons of additional food production for the present Plan period, of which we have done about 2 lakhs tons in 1956–57 and hope to do about 3 lakhs tons during the current year. Further progress may not be easy especially in view of the present shortage in chemical fertilizers and also the fact that at some stage the law of diminishing returns will set in, but in the present context of over-all food shortage, we must put in a further special effort. China with an economy very similar to ours, is reported to have achieved an average yield of 1,550 lb. of clean rice per acre, and Japan 2,250 lb. Therefore, the balance of 8 lakhs tons of additional production in our present Plan target, should not be beyond our reach if we can adopt the improved agricultural techniques practised in other countries.

Agricultural development.

6. A major item in our agricultural programme, is the scheme for the multiplication and distribution of improved seeds. The primary seed is to be raised

in 360 State seed-farms of 25 acres each, to be located one in each of the National Extension Blocks. About 2,650 tons of paddy seeds and 500 tons of millet seeds can be raised in these farms and this on further multiplication in village seed-farms, will meet about 85 per cent of the total seed requirements of the State. Thirty-eight such farms were opened in 1956–57 and of the 136 farms programmed for the current year, 116 were opened by December 1957, and the balance will be started by the end of March 1958. The Budget provides for the opening of 180 farms in 1958–59 at an estimated cost of Rs 72 lakhs and with this, the programme will be nearly completed. We had planned for the distribution of 140,000 tons of ammonium sulphate during the year, but owing to the difficult supply position, only about 75,000 tons could be distributed during the year. The target of 150,000 tons for the Budget year, may therefore have to be reduced. A provision of Rs 60 lakhs has been made for loans to agriculturists for the purchase of chemical manures. The programme of urban compost is being accelerated with a provision of about Rs 4 lakhs as loans, and Rs 3 lakhs as subsidies to Municipalities and Panchayats for the manufacture and distribution of about 3 lakhs tons of compost. The scheme for the distribution of green manure seeds, will be continued with a target of 1,200 tons of seeds. Provision has also been made of Rs 8 lakhs for the supply of pesticides, and Rs 4 lakhs for the supply of sprayers and dusters to agriculturists, both at half-cost.

Irrigation.

7. Most of our Major Irrigation schemes like the Amaravathi, Sathanur, Krishnagiri and Manimuthar, have been completed, and water has been let down for cultivation during the current year. The Vaigai Project will be completed during this year, and the Kattalai and Pullambadi in 1960. Work has also commenced on the Vidur and the

Neyyar Projects. An outlay of Rs 2,86 lakhs is programmed for the current year, and Rs 1,69 lakhs in 1958-59. The development of the ayacut under these new Projects has been adequate, and the criticism often raised in planning circles about the wasteful time-lag between the construction of these expensive reservoirs and the utilization of the stored waters, does not hold good in respect of our Projects. Our problem is not quite the non-utilization of existing resources but the non-availability of fresh resources to implement a further programme. Negotiations with the Kerala Government on the diversion of some of the west-flowing rivers are progressing, and let us hope that a mutually beneficial settlement will soon be reached. In the meanwhile we must do our best to maintain our Minor Irrigation systems in good order for which a provision of Rs 70 lakhs has been made including Rs 10 lakhs for the de-silting of tanks. The filter-point scheme for the utilization of sub-soil water, will also be continued at a cost of Rs 9 lakhs.

Animal husbandry.

8. The different schemes for the improvement of our cattle-wealth, are making progress. Four more key-village centres and four supplementary extension centres for utilizing the pedigree bulls reared in key-villages, will be opened during the year. Provision has been made for the opening of the cattle-farm at Ramanathapuram and sheep farms at Chingleput and Chinna Salem. The work on the Madhavaram Cattle Colonization Scheme will be accelerated, and a sum of Rs 25 lakhs has been allotted for that purpose. New schemes of poultry development costing Rs 2·16 lakhs have also been incorporated in the Budget.

Fisheries.

9. The Fishery Development Schemes for next year include the construction of 15 Pablo type mechanized fishing boats for sale to fishermen at reduced prices, the construction of fishing harbours

at Cuddalore and Nagapattinam, the development of fisheries in Sathanur and Manimuthar reservoirs, and the installation of guide lights to help fishing boats at night in the coastal villages of the Kanyakumari district. The total cost of the fisheries programme in the Budget amounts to Rs 21 lakhs.

Forests.

10. The phased programme of forest regeneration consisting of schemes for the planting of cashew and casuarina in the coastal districts, wattle, blue-gum and match-wood on the Nilgiris, teak and other valuable timbers on river and canal fringes, reclamation of eroded Panchayat forests and improvements to forest communications, will be continued at a cost of about Rs 29 lakhs. Soil conservation measures on agricultural lands on the hills as well as the plains, will be taken up at a cost of Rs 17 lakhs.

Co-operation.

11. In the field of rural credit, provision of Rs 3,05 lakhs has been made for takkavi and other Government loans to cultivators. The Co-operative Department has programmed to open 300 large-sized credit societies during the Plan period of which 240 will be functioning by the end of the current year and the balance of 60 societies will be opened in the next year. Two hundred small-sized credit societies will also be opened next year. Hon'ble Members are aware of the experimental scheme by which the full credit requirements of all agriculturists are being met through Co-operative Societies in the two selected firkas of Erode and Srivilliputhur. On the experience so far gained, it is now proposed to extend the scheme to six Extension Service Blocks during the coming year. Provision has also been made to open five more Land Mortgage Banks, raising the total number to 81. The Co-operative Movement is expected to cover 77 per cent of the villages and 40 per cent of the population of the

State by the end of the Budget year, providing agricultural credit to the extent of Rs 13½ crores. A Warehousing Corporation has been established with an initial share capital of Rs 20 lakhs. The Corporation has programmed to construct four warehouses during the current year at Salem, Tirunelveli, Ootacamund and Tiruchirapalli, and six more will be constructed in the coming year.

National extension services.

12. We have indeed made substantial appropriations for various measures of agricultural development, such as irrigation, soil conservation, seed multiplication, manure distribution, and marketing organizations, but all this outlay may not give a full return unless we can make the tiller of the soil aware of the facilities organized for his benefit. Better seeds may be produced in abundance in the State seed-farms, but the peasant may continue to use the inferior strain in his possession. He may not know from where to secure chemical fertilizers and insecticides, and it is not easy for him to approach in time the local authority competent to sanction him an agricultural loan. The existing departmental organization in the village is far too thin to bring home to every ryot the fruits of modern agricultural research. It is to correct this deficiency and to establish a healthy liaison between the cultivator and the expert departments of the Government that the National Extension Services and Community Development Projects have been started. We have already covered a third of the State with the National Extension Service Organization, and it is proposed to take up 51 Extension Service and 16 Community Development Blocks during the next year. The enthusiasm evinced by the people in providing themselves with common amenities, such as village roads, wells, dispensaries and schools, is indeed welcome, but the main objective of this organization should be to educate the cultivator in

better methods of farming and to assist him to secure the necessary facilities. The increased outlay on the administrative staff should be sustained by greater production in the village, and therefore, the Extension Service Organization will be judged ultimately by the results in the agricultural sector. The Government are doing their best to effect the necessary change in official outlook and I hope Hon'ble Members in this House and all public men in the field, will co-operate in educating and enthusing the people towards this major objective.

Electricity.

13. Our Electricity programme is making commendable progress. The Madras Plant Extension Scheme will be completed soon, and a new generator of 30,000 KW. will be commissioned by next April. The first unit of 35,000 kilowatts of the Periyar Hydro-Electric Project, will also be installed before next September. The brisk progress made by our Engineers on the Kundah Project, has won them the commendation of the Canadian Experts who are assisting us on this Project. The rural electrification programme is being implemented with vigour, and as against the target of 1,000 villages for this financial year we have covered 910 villages by the end of December, and will materially exceed the target by the end of the year. Electricity is now available in about 6,200 villages and hamlets, supplying power to about 60,000 pump-sets. Considering that each pump-set can irrigate 3 to 5 acres, the rural electrification programme has enabled the extension of irrigation over 2 lakhs of acres. The Budget provision for electricity for the current year has now been stepped up from Rs 11½ crores to Rs 13 crores, and the provision for the next year has been fixed at about Rs 12 crores.

Major industries.

14. In order to prepare an integrated plan for the industrial development of the State, the Government have constituted an Advisory Committee of

eminent industrialists, which is studying the different raw materials and other resources available and drafting practicable project reports. Mining operations have commenced at Neyveli and the integrated project estimated to cost Rs 60 crores, for the generation of 2 lakhs kilowatts of power, for the manufacture of chemical fertilizers with a nitrogen content of 70,000 tons per annum, and for the briquetting of 3½ lakhs tons of carbonised lignite, is making progress. The Project has been included in the core of the Plan and may be expected to be completed by 1960. The caustic soda plant in Tirunelveli and the rubber tyre factory at Ambattur, are making good progress according to schedule. The scheme for the expansion of the T.I. Cycles to a capacity of 3 lakhs units per annum, has been finalised. The proposal to set up a new cement factory in Ramanathapuram is making progress. Licences have also been granted for the establishment of a number of units for the manufacture of electric motors, transformers, switch-gear and pumps. The three sugar mills licensed in the Co-operative sector, are expected to go into production by the middle of 1959, and the private sugar factory at Pettaivaittalai in Tiruchirapalli will commence production in a few months. Investigations on the Salem iron ore are proceeding at Jamshedpur, and the construction of the pig-iron plant licensed in the private sector, is making progress. The French Consultant engaged to examine the bauxite deposits of Salem has submitted his report regarding the quality of the mineral, and let us hope that the aluminium plant proposed in the Second Plan will soon take shape. The establishment of a plant for the manufacture of rayon and staple fibre, is being pursued, and the sponsors have secured substantial financial assistance from Italy. Negotiations are in progress with foreign investors to

get over the exchange difficulties on these schemes, and the Government are doing their best to assist the sponsors in resolving their problems.

15. Appreciable progress has been made on the small-industries included in the State Plan. The Guindy Industrial Estate estimated to cost about Rs 70 lakhs, has been inaugurated by the Prime Minister and 52 out of the 90 factory units have been let out. The smaller Estates planned for Virudhunagar, Erode, Tirunelveli, Madurai and Marthandam are coming up, and will be opened in the coming year. About Rs 25 lakhs have been distributed as State Aid to small-scale industries during the current year, and a similar provision has been made for the next year. Servicing centres for the manufacture of hand-tools, surgical instruments, electrical goods, laboratory and scientific equipment, sports goods, model foundry, etc., are being organized in different places, and a Technical Information Centre with a library is being opened in Madras. A silk reeling unit with 25 basins, is being set up at Hosur to take the place of the one at Kollegal transferred to the Mysore State on the reorganization of States. The various village industries and handicrafts financed by the Khadi and Village Industries Commission, will be continued and it is proposed to open four sale depots in important centres for the display and sale of handicrafts. **Small-industries.**

16. The needs of the handloom industry continue to receive the close attention of the Government. Apart from financial aid to weavers for enrolling them in co-operative societies, grants are being made from the Cess Fund for the purchase of improved appliances, for the provision of marketing facilities, for rebate to consumers, and for housing colonies for weavers. The present slump in the textiles industry has reduced the off-take of handlooms and there is substantial accumulation of stocks. Representations **Handloom.**

are being made to the Government of India to continue the subsidy undiminished so that the stocks may be cleared rapidly. The Co-operative Spinning Mill at Tirunelveli intended to ensure the cheap supply of yarn to weavers, is expected to go into production soon, and another unit with 12,000 spindles is proposed to be started at Srivilliputhur. The Budget provides for an outlay of Rs 92 lakhs on schemes for the development of the handloom industry.

Housing.

17. The various housing programmes initiated by the Central Government, are all making progress. Under the subsidized industrial housing scheme there is a provision of Rs 21 lakhs for the completion of the works on hand and for new schemes at Vellanar in Tiruchirapalli district and at Sivakasi. Under the Low-Income Group Housing about 800 houses are under construction, and a new programme of 500 houses is being sanctioned for which allotments of Rs 15 lakhs to Co-operative Societies, Rs 17 lakhs to the City Improvement Trust, and Rs 6 lakhs to Local Bodies, are being made. A sum of Rs 60 lakhs has been earmarked for slum clearance, in the City of Madras, where about 20 slums will be taken up for improvement to rehabilitate about 4,000 families. Under the State Urban Housing Scheme, provision has been made for a loan of Rs 17 lakhs to Co-operative Societies, and Rs 17 lakhs to the City Improvement Trust. The housing programme for policemen is being accelerated at a cost of about Rs 75 lakhs in the coming year. A scheme for the reconstruction of about 3,000 houses destroyed in the recent disturbances in Ramanathapuram district, has been sanctioned at a cost of Rs 17 lakhs, which will be shared equally with the Government of India. In order to co-ordinate the implementation of the different housing schemes, a State Housing Board has been recently constituted by the Government.

18. Improvements continue to be made to our road system which is now one of the very best in the country. Out of the ordinary maintenance allotment of Rs 2,00 lakhs per year, about Rs 60 lakhs are being spent on black-topping important stretches at the rate of about 500 miles per year. The total outlay on new works in the Budget amounts to Rs 96 lakhs from State Funds, and Rs 68 lakhs from the Central Road Funds. Provision has been included for major bridges across the Cauvery at Erode, across the Vaigai at Tirupuvanam, across the Cheyyar on the Arcot-Tindivanam road, and across the Kamandalanaganadhi on the Arcot-Wandiwash road. A sum of Rs 33 lakhs has been earmarked for grants to District Boards and Panchayats for new road works, and Rs 12 lakhs as grants and Rs 8 lakhs as loans to Municipalities and Panchayats for dustless surfacing. A special grant of Rs 2 lakhs will be made to the Nilgiris District Board for improvements to roads leading to beauty spots on the Hills. **Roads.**

19. On the side of medical facilities, improvements will be carried out to the district headquarters hospitals at Chingleput, Cuddalore, Palamcottah, Vellore, Ootacamund and Tanjore, at a cost of Rs 13 lakhs. The Local Fund dispensaries at Cheyyar, Vriddhachalam, Sriperumbudur, Bhavani, Tiruppattur, Arantangi, Srivaikuntam, Jayankondan and Hosur, will be provincialized. A sum of Rs 11 lakhs has been earmarked for additions to the different Taluk headquarters hospitals. Out of the 80 Primary Health Centres planned for the Plan period, 52 have already been opened and nine new ones will be opened in the coming year. In order to attract medical men to these rural centres a compensatory allowance is being sanctioned and a residential housing programme, is also being launched. Improvements to the teaching hospitals **Health.**

in Madras City and Madurai, will be taken up at a cost of Rs 57 lakhs. On the side of public health, there is a provision of Rs 86 lakhs for completing the urban water-supply schemes now in progress, and Rs 60 lakhs for rural water-supply. Provision has also been made for opening 105 Maternity and Child Welfare Centres and training 900 thayies.

Education.

20. On Education we spent Rs 10,60 lakhs during 1956–57, and the revised estimate for the current year has been fixed at Rs 11,47 lakhs. The annual expenditure has increased by nearly Rs 1 crore, even though the State had been reorganized and its territory and population reduced. For the coming year, we are providing Rs 12,04 lakhs. As usual, rather more than one-half of the total expenditure continues to be devoted to primary education, Rs 4,91 lakhs in 1956–57, Rs 6,54 lakhs in 1957–58 and Rs 6,59 lakhs in the coming year. A significant development in this field is the provision of Rs 20 lakhs for the free supply of midday meals for children of elementary schools as recommended by the Legislative Committee on Education. Enrolment of pupils continues to increase at the rate of one lakh and the new schools are being opened and existing schools expanded to provide about 1,700 new classes per annum. The House will be glad to note that the burden of this increasing expenditure on new schemes, is being shared by the Government of India. Under the present system of sharing, we earned Rs 32 lakhs in 1956–57, and hope to earn Rs 1,19 lakhs in the current year, and Rs 1,35 lakhs in the coming year.

Technical education.

21. Special attention continues to be devoted to the development of Technical Education. Admission capacity of Engineering Colleges of the State has been raised from 647 at the end of the First Plan period to 1,132, and of polytechnics from 1,142 to 1,752. The Directorate of Technical Education has

been set up and the State Board of Technical Education and Training has been constituted. They have started functioning and it is hoped they will tackle the various problems relating to the staffing and management of these institutions and help to secure a steady flow of highly qualified technical personnel, so necessary for industrial progress. In this context, the House will be glad to know that our negotiations with the Government of India regarding the location in Madras of the Higher Technological Institute of South India, have been successful. The site required for this institution has been agreed upon and further steps for its establishment are expected to be taken shortly.

Welfare of backward communities.

22. The welfare of Harijans and Backward Classes, continues to receive the special attention of the Government. The Budget provides for an outlay of Rs 2,33 lakhs on welfare schemes for the benefit of these communities, which is about Rs 40 lakhs more than the budget estimates for the current year. The major provisions are: Rs 28 lakhs for 15,000 scholarships, Rs 22 lakhs for 12,000 boarding grants, Rs 27 lakhs for midday meals in Harijan schools, Rs 27 lakhs as subsidies for the construction of about 5,000 dwellings, Rs 18 lakhs as subsidies for the purchase of 5,800 pairs of bulls, Rs 5 lakhs for digging 175 wells in Harijan habitations, and Rs 9 lakhs for developing cottage industries.

Revised Estimate, 1957-58.

23. In preparing the Budget for the current year, we had estimated a revenue of Rs 57,99 lakhs after taking credit for receipts from additional taxation of Rs 1,50 lakhs, and an expenditure of Rs 61,32 lakhs, leaving a deficit of Rs 3,33 lakhs. The revised estimates as now fixed, show a revenue of Rs 60,41 lakhs and an expenditure of Rs 60,36 lakhs leaving a small surplus of Rs 5 lakhs. There has been an appreciable improvement in the revenue position and

the largest single cause is the Award of the Finance Commission which has come into force with effect from the current year.

Finance Commission.

24. In presenting our case to the Finance Commission we had claimed a larger share of income-tax and excise duty to meet the growing needs of States on development services and also to reduce the large disparity in the emoluments of State Government servants and of Central Government servants. We had also pleaded for a reduction in the rate of interest charged on Central loans, taking into consideration the large resources raised by the Centre through deficit financing. The Commission's recommendations do not meet our case in full. The share of States from income-tax, has been raised from 55 per cent to 60 per cent and we may gain about Rs 94 lakhs per year under this head. On Central Excise, the duties on a few more commodities have been added to the divisible pool but the share of States has been reduced from 40 per cent to 25 per cent, with the net result that we may gain about Rs 44 lakhs in a year. The new tax on railway passenger fares imposed by the Centre in the current year's Budget, will be divided amongst States in the ratio of route mileage and we may get about Rs 34 lakhs in the current year, and Rs 64 lakhs in a full year. All these recommendations have been accepted by the Government of India, and this has improved our revenue position by Rs 1,74 lakhs in the current year and Rs 2,02 lakhs in the coming year. The Commission had further recommended the consolidation of the various loans taken by States from the Centre at a lower rate of interest. This would have given us relief to the extent of about Rs 60 lakhs per annum, but the Government of India have not yet accepted this recommendation and therefore we cannot take any credit under this head in the Budget. The Commission has not accepted our

request for assistance for enhancing the emoluments of Government servants. On the other hand they have recommended that the Central assistance due to us on the enhancement by Rs 5 to 7 in dearness allowance which we sanctioned in November 1956, may be discontinued. This would take away a portion of the benefit accruing to us from the Commission's other recommendations. The approach of the Commission has been that assistance from Central revenues should be restricted to the bare minimum required for covering the revenue deficits of States on existing unavoidable commitments. We may no doubt feel that a more liberal approach would have been justified, but we must appreciate that the resources of the Centre are also limited, and that the Commission was faced with the difficult task of reconciling various conflicting interests. Let us record our thanks to the Commission for the relief they had actually recommended.

Revenue resources.

25. Hon'ble Members are aware that in co-operation with other States and the Centre, we have given up the levy of sales tax on cloth, sugar and tobacco products. Additional excise duties in lieu of sales tax, are being levied at source on these commodities and the proceeds will be distributed to States. The revenue of Rs 2,85 lakhs derived by us on these commodities in 1956–57, has been guaranteed to us by the Centre. Any little surplus from the proceeds of the new excise duties over and above the guaranteed revenue, will be divided among the different States on the basis recommended by the Finance Commission and this may yield us some extra revenue in due course. By this measure, the initiative for which was largely that of this Government, we have been able to extend considerable relief to dealers in these trades, without affecting State revenues. The possibility of extending this scheme to cover other suitable commodities, is being

examined. The yield under the different State taxes has shown an upward trend, more particularly under the tax on motor vehicles and the Central sales tax, and improved our revenue position by about Rs 1,25 lakhs. There has also been a reduction in expenditure by about Rs 96 lakhs, mainly due to the delay in sanctioning some of the new schemes provided for in the Budget Estimates.

Capital resources.

26. The capital expenditure for the year is now fixed at Rs 16,67 lakhs as against Rs 15,49 lakhs provided for in the Budget Estimates. The provision for Electricity schemes has been taken away from the Capital Budget with effect from 1st July 1957 and is now shown as loan to the Electricity Board. The Capital Outlay on electricity for the year has been raised from Rs 11,62 lakhs to Rs 13,02 lakhs towards which the resources available are only about Rs 8 crores, and the balance of Rs 5 crores is proposed to be met by the sale of securities held in the Electricity Depreciation Reserve Fund. The Ways and Means gap for the year is expected to be covered by an anticipated receipt of about Rs 5½ crores as our share of Small Savings collections.

Budget Estimates, 1958-59.

27. The Budget Estimates for 1958-59 anticipate a revenue of Rs 62,40 lakhs and an expenditure of Rs 63,75 lakhs, leaving a gap of Rs 1,35 lakhs. But after the estimates were finalised intimation has been received from the Government of India of some liberalisation in the terms of Central assistance on the enhancement of the emoluments of low-paid Government employees, by which we will secure an additional grant of about Rs 30 lakhs in a year. This would reduce the revenue gap from Rs 1,35 lakhs to Rs 1,05 lakhs. Larger receipts are anticipated under Land Revenue by the assessment of inam lands and by the betterment levy and under Tax on Motor Vehicles from the increasing number

of transport vehicles on road. On the expenditure side, the annual contribution to the Zamindari Abolition Fund has been increased from Rs 10 lakhs to Rs 50 lakhs to build up a reserve towards the final compensation to Zamindars. The contribution to the Famine Relief Fund is also being increased from Rs 5 lakhs to Rs. 50 lakhs as recommended by the Finance Commission.

28. Hon'ble Members are aware that the children of non-gazetted officers are eligible for full-fee concessions up to III Form and half-fee concession in the High School classes. The Budget provides for the grant of full-fee concession to them in High School classes also. The scale of pay of agricultural demonstrators will be revised upwards from Rs 100—5—140—10—220 to Rs 135—5—200—10—270. The service of workers in the Transport and Machinery repair yards of the Highways Department will be provincialized. The recommendations of Dr. Loganathan on the revision of the sales tax structure, are now under the consideration of the Government, and a comprehensive Bill to amend the Sales Tax Act will soon be introduced. As recommended by him, dealers with a turnover between Rs 10,000 and Rs 25,000 will be permitted to compound the tax, so that they may be relieved of the burden of maintaining detailed accounts and a large number of commodities will go over from the multi-point to single-point system. The financial implications of these changes cannot be forecast accurately now, but the Budget proceeds on the basis that there will be no appreciable fall in revenue. Financial adjustments.

29. After the Award of the Finance Commission there is no further prospect of Central assistance for the next few years, and therefore we cannot leave the revenue deficit of Rs 1,05 lakhs uncovered. In our discussions with the Planning Commission on the size of the State Plan, we have given a specific Taxation measures.

undertaking to raise enough resources to balance the Revenue Budget. We are quite likely to sanction many new schemes during the course of the year, and this will widen the gap still further. I am, therefore, making the following proposals of additional taxation:—

(*a*) The enhancement of the levy of sales tax on motor spirit other than petrol, i.e., on diesel oil, from 10 nP per gallon to 35 nP per gallon. This may yield about Rs 70 lakhs in a full year.

(*b*) The enhancement of the rate of entertainment tax from 20 per cent on the first slab to 25 per cent, from 25 per cent on the second slab to 33-1|3 per cent, and from 33-1|3 per cent on the third slab to 40 per cent. Touring cinemas will also be made liable to the show tax. The tax on all entertainments other than cinemas and horse-racing, will be abolished. These proposals will bring in a net additional revenue of about Rs 30 lakhs, 90 per cent of which will go to the benefit of local bodies. The share of the Madras Corporation may amount to about Rs 6 lakhs.

(*c*) The levy of agricultural income-tax on all land-holdings with an exemption limit of Rs 3,000 and at rates and slabs now in force on plantation holdings. The non-agricultural income of the assessee will also be taken into consideration in reckoning his total income and the agricultural portion will be assessed at the higher rates applicable to the top slabs. Facilities for compounding will be offered to the smaller assessees in order to relieve them of the burden of keeping detailed accounts. The surcharge now levied on larger agricultural holdings under the Madras Act XIX of 1954, will be cancelled. It is difficult to estimate the yield on this proposal, but, for the purpose of the Budget, we may reckon it roughly at Rs 70 lakhs. This measure may indeed become inoperative when ceilings on land-holdings

are enforced, but now that we have taken the decision to fix a provisional ceiling, it is but social justice that a portion of the advantage derived by people holding land in excess of that ceiling, should be appropriated by the State towards common benefit.

The new proposals may bring in about Rs 1,70 lakhs in a full year, of which about Rs 27 lakhs will go to the benefit of local bodies. Since the necessary legislative measures, especially on agricultural income-tax, may take time, the net receipt by the Government during the next year will only be about Rs 1,20 lakhs. The deficit of Rs 1,05 lakhs in the Budget will thus be converted into a small surplus of Rs 15 lakhs.

30. The Capital Expenditure for the year is fixed at Rs 9,73 lakhs made up of Rs 2,39 lakhs on buildings, Rs 1,69 lakhs on irrigation, Rs 70 lakhs on Minor Irrigation, Rs 1,43 lakhs on Industrial Development, Rs 96 lakhs on Roads, Rs 35 lakhs on the purchase of buses, and the balance on miscellaneous items. The Capital Expenditure on Electricity Schemes has been fixed at Rs 11,94 lakhs, but the outlay is now met by the Electricity Board and hence the details have gone out of the State Budget. There is a loan provision of Rs 4,10 lakhs to the Electricity Board which will meet the balance from resources at its disposal and by the sale of about Rs 3 crores worth of securities from the Depreciation Reserve Fund. Some of the significant items of loans are: to the Madras Corporation Rs 42 lakhs, the City Improvement Trust Rs 59 lakhs, mufassal Municipalities for Water-supply Schemes Rs 89 lakhs, State-aid to Industries Rs 25 lakhs, Co-operative Building Societies Rs 35 lakhs, and to agriculturists in Gramdan villages Rs 20 lakhs. The net disbursements under Loans and Advances other than to the Electricity Board, is expected to be Rs 3,53 lakhs. The Ways and Means deficit of about Rs 6½ crores Capital expenditure.

is expected to be closed with our share of the Small Savings Collection, and by raising a public loan if market conditions permit.

Plan outlay. 31. In framing the Budget for the current year we had estimated the outlay on the Plan at Rs 31,79 lakhs. Appreciable shortfalls in implementation are expected on certain schemes under agricultural development, soil conservation, medical, housing, village industries and handicrafts, for reasons such as the delay in sanctioning the schemes, delay in land acquisition and scarcity of building materials like cement and steel. But these shortfalls will be more than made up by a much larger outlay on Irrigation and Power. The revised estimates provide for a Plan outlay of Rs 32,31 lakhs, an excess of Rs 52 lakhs over the original provision, and let us hope that departmental performances will be adequate to absorb in full the allotments now made.

32. The details of the Plan for the coming year have been discussed with the Planning Commission last December, and the outlay has been fixed at Rs 30·47 crores. We have been assured of Central assistance in loans and grants according to the established pattern of assistance, up to a ceiling of Rs 18 crores, and so the balance of Rs 12·47 crores should come out of our own resources. The total sum allotted by the Government of India towards assistance to all States in 1958–59, is only about Rs 200 crores and therefore, it may not be possible to get a larger assistance from the Centre. We may like to vote for a larger outlay, but the additional resources will have to be raised by us internally and the Planning Commission will certainly accept the position. But, within the present ceiling, we have made fair enough provision to maintain the tempo of execution on most of the schemes. A detailed statement showing the break-up of the Plan outlay,

is given as Appendix IV. The provision on Major Irrigation is less than that for the current year by Rs 1,17 lakhs, but this is due to the fact that our Major Schemes are nearing completion, and do not call for larger allotments. Excepting the Electricity Department which may be able to spend a little more if funds are made available, the requirements of other departments have been met practically in full. The needs of the Electricity Department may be reviewed again as the year advances and further adjustments can be made to the extent practicable as we did in the current year.

33. There has been a good deal of discussion in the country on the present shortage of foreign exchange and the difficulties in the way of implementing a fuller Plan. It is indeed true that foreign exchange is the bottleneck on the large schemes of industrial development like steel plants, heavy fabrication units, aluminium plants, heavy electrical plant and fertilizer factories. But, in respect of most schemes in the State Plan, such as for the development of agriculture, provision of drinking water, renovation of irrigation works, expansion of education, and the construction of roads and hospitals, foreign exchange is not the crucial bottleneck. Power development is the only big item in the State sector involving foreign exchange, but fortunately we have already secured the essential machinery needed for those projects. Our real problem, in common with that of other States, is the inadequacy of internal finance. We may plead for more Central assistance, but the resources at the disposal of the Government of India are also limited and must come out of the savings of the people. We are all keen on stepping up living standards at a fast pace, but further progress calls for a greater effort by the people to save and invest. The history of all the advanced nations of the world tells us the same story, Conclusion.

that there is no short-cut to prosperity. All those nations did pass through an initial stage of toil and sweat before they were able to lay the foundations of a growing economy. It is in this light that we should now explain to the people the significance of the new taxation proposals and the present drive in the districts on Small Savings. These new imposts may be irritating and we are tempted to complain of official coercion, but we cannot escape the consequences of our determination to work towards a socialistic pattern of society in our lifetime. Again, the largest single cause for the present crisis in foreign exchange is the food deficit and the necessity to import foodgrains from overseas. The solution of this problem is very much in our hands, because the conservation of farm-yard manure, the processing of urban manure, the growing of green manure and the use of improved seeds, do not involve any foreign exchange. A little more intelligent devotion to these elementary agricultural practices, will cover the food deficit to a large extent and release valuable foreign exchange for the vital needs of the Plan. Obviously there is an important part which Hon'ble Members in the House and public men outside, can play and I take this opportunity to appeal to one and all of them, to play that part effectively by explaining to the people the various agricultural schemes initiated by the Government to step up production, by demonstrating in their own private holdings this simple message of the Plan and by providing a healthy liaison between the cultivator and the field organizations in charge of the various Extension Services.

Acknowledgments.

34. Before I conclude, I wish to express my appreciation of the valuable advice and staunch support extended to us by Sri T. T. Krishnamachari, the ex-Union Finance Minister. Touching references

have been made in the Parliament, the Press and the platform about the great loss sustained by the country by his sudden exit from high office, but for us in Madras, the loss is even more grievous. He has been one of us and consistent with his wider responsibilities to the Nation as Union Minister, he has in all his official dealings with the affairs of this State, demonstrated that he continued to be one with us. I am sure all Hon'ble Members will join with me in one mind, to express our deep gratitude for the meritorious services rendered by him to the Nation in general and to the people of this State in particular. I must also acknowledge my sincere thanks to the Financial Secretary, Sri T. A. Varghese, and to his able assistants, for all their advice and assistance in my work and particularly in framing the Budget.

With these remarks, Sir, I commend to this House, the Budget proposals for 1958–59.

MADRAS,
1st *March* 1958.

C. SUBRAMANIAM,
Finance Minister.